

The minimum capital of a bank of issue was fixed by the law of 1897 at 500,000 pesos (\$250,000) and it was provided that the privileges granted by the law should terminate after thirty years. The notes of the Mexican banks are not legal tender and are redeemable in coin on demand at the office where they are issued. The maximum period of discount allowed to the banks of issue is six months, and paper discounted must bear at least two signatures.¹ The system of discounting commercial paper is not, however, widely in vogue in Mexico. It is replaced by a system of advances to the client of the bank, upon the deposit of the paper as security, and these advances are often made for nine months or a year.³ The banks are required to publish their balance sheets monthly in the *Official Journal*, and the form in which the various items shall be stated is carefully prescribed. They are also subjected to a comprehensive system of inspections, which in 1904 was placed under the direction of an inspector-general.³ Ten per cent, of profits is required to be added annually to the surplus until one-third of the capital is attained.

The execution of the law of 1897 was contrary to the privileges of the National Bank of Mexico, which included the pledge of the government that it would not permit the creation of additional banks of issue. Negotiations took place, however, which led the bank to waive this privilege and in addition to increase its advances to the Treasury from 2,000,000 to 4,000,000 pesos, to reduce from two to one and three-quarters per cent, the commission charged upon the Treasury service, and from two per cent, to one per cent. the commission for the service of the debt. In return for

¹ The extension of the reserve requirement to deposits and the lengthening of the term of the commercial paper held are represented by Senor Casasus as mutual concessions. He says regarding the six months' limit for paper that "the commercial customs of the republic are not in this respect like the European practice, which has served as a standard to the economists who have studied the mechanism of banks of issue."—*Les Institutions de Cr&dit*, 490.

² Favre, 45.

³ *Ibid.*, 33.